

DEPARTMENT OF TRANSPORTATIONDIVISION OF LOCAL ASSISTANCE, **MS 1**

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August 9, 2006

To: Metropolitan Planning Organizations
Regional Transportation Planning Agencies
Local Transportation Commissions
Public Works Directors of All Cities and Counties in California

Dear Executive Director:

Subject: Quarterly Review of Inactive Obligations

The California Department of Transportation (Caltrans) and the Federal Highway Administration (FHWA) have completed the first quarterly review of inactive obligations as required under CFR 630.106. You are all to be congratulated for your effort and actions taken to comply with the requirement.

On March 31, 2006, FHWA identified 651 inactive local obligations with \$271 million of unexpended funds. The unexpended obligation amount was reduced approximately by \$231 million (85 percent) to \$40 million as of July 25, 2006. The reduction is mainly due to invoices paid, invoices in process and de-obligation of unneeded funds.

FHWA reviewed justifications provided by Local Agencies for the remaining inactive obligations. FHWA has agreed to temporarily postpone de-obligation for these projects pending specific timely actions taken by the Local Agencies. FHWA also agreed to temporarily postpone de-obligation for projects that have invoices in process. Caltrans District Local Assistance Engineers (DLAEs) have contacted Local Agencies to discuss the specific requirements and deadlines to prevent these projects from being de-obligated.

As you know, the review of inactive obligations is now being performed each quarter. The second quarterly review has already begun for quarter ended on June 30, 2006. FHWA has identified approximately \$300 million in inactive local obligations for the second quarterly review. Of the \$300 million, \$112 million are carried over inactive obligations reviewed during the March quarterly review where FHWA has temporarily postponed de-obligation pending actions to be taken by the Local Agencies.

The lists of inactive local obligations for the June quarterly review are available on the Division of Local Assistance website at www.dot.ca.gov/hq/LocalPrograms/. In addition, specific follow-up actions are listed for projects reviewed during the March quarterly review. For the

newly identified inactive obligations for the June quarterly review, Local Agencies should submit invoices to Division of Accounting by August 25, 2006 and check the online invoice register at <http://lpams.dot.ca.gov> to ensure the invoices have been processed by September 8, 2006. Projects that have financial transaction registered in FHWA's financial database by September 30, 2006 will not appear in the following quarter's inactive obligation list.

Local Agencies that have indirect cost rate proposal awaiting approval by the Department's Division of Audits should continue to submit invoices for eligible direct cost until the indirect cost rate proposal is approved.

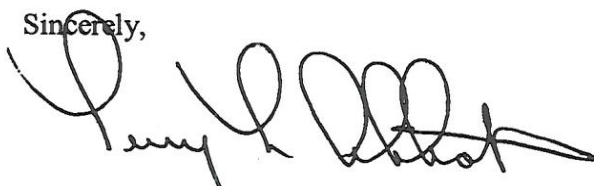
If Local Agencies plan to submit justification for FHWA's approval for their projects, a completed justification form (attached) along with all back up documentation should be sent to their DLAEs by September 15, 2006. Incomplete justification form or missing documentation could result in FHWA's disapproval.

In addition to the currently inactive local projects, a six-month look ahead report will be available on the website by August 31, 2006. The six-month look ahead report contains projects that will become inactive if no expenditures are billed within the next six months. This list provides an opportunity for the Local Agencies to be proactive in managing their projects and to prevent additional projects from becoming inactive.

Please work with your District and Local Agencies to ensure all the inactive projects are made active by either invoicing or de-obligating excess funds. Our goal should be to prevent projects from becoming inactive and not have to rely on FHWA approval of a justification to keep the project from being de-obligated.

Please contact your DLAEs if you have any questions regarding the quarterly review process.
Thanks.

Sincerely,



TERRY L. ABBOTT
Chief
Division of Local Assistance

Attachment

- c: District Local Assistance Engineers
- Deputy District Directors for Local Assistance
- Laura Quintana
- Denix Anbiah
- Barry Leaming
- Yin-Ping Li